

Stratetgic management report on loreal



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BUSTER**

L'Oréal was started by Eugene Schueller who was a French chemist who came out with a bright idea of hair colour formula Aureole. He was so innovative that he created his own products and sell it to Parisian hairdressers. The company was enrolled in 1909. Gradually he took off the market with his latest product which coloured the hair properly.

It was in 1939, when the whole team named the company L'Oréal and constructed the headquarters in Paris. The headquarters were highly equipped with the latest technologies and machines. The experimenters had a great time working in the laboratories which made beauty products

In terms of research and development L'Oréal every year promotes 100 of new formulas and almost 500 patents. The company is said to be the dean in the research patterns in the cosmetic company. The famous slogan "because I m worth it" was first started in 1971 in the United States the better sales of the hair colours which L'Oréal produced. Today it has almost 500 manufacturing plants all over the world which is operating in a very fast pace. " Because I m worth it" has become the tagline for L'Oréal which is known across the globe in different languages.

Strategic Profile

SWOT Analysis

Talking about our strength L'Oréal has the best brand image till date. It has 586 patents for research and development. Products which are produced are very diversified and not to forget it has a very strong corporate social responsibility policy. While we talk about the opportunities L'Oréal has a very

good chance of emerging with different market in developing countries. As we all know that everyone today is skin conscious that's the reason why cosmetic market is a boom and if L'Oréal makes the best out of this than they are a hit in the industry. There are few threats that L'Oréal might face are the upcoming local players which are emerging in the new market expansion. Brand cannibalization is also the biggest threat for L'Oréal in this competitive world.

PORTER'S FIVE FORCES

Porter has stated five different competitive forces that every industry uses for the good profit of the organization. The combined effort of all five forces will help the industry to go on a profit margin. He has also stated that these five forces bring stability in any organization.

The capacity of the buyers at L'Oréal is very high because there are number of products and every organization is trying their best to please the customers with their service. At L'Oréal the bargaining power of the dealers are really low because L'Oréal has achievements of brand. It always has a long term and active relationship with the dealers.

Destruction clash in any of the beauty industry is expected. They are a lot of cosmetic company which are trying to come up to L'Oréal's position but the most dominant competitor are Unilever and Procter and Gamble. The threat of new company coming up is very less because it is really hard for any company to start up from the scratch and come up to the world's largest giant in no time

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PEST ANALYSIS

Every organization must follow some strategy for their growth and existence in the business. L'Oreal also follows the PEST analysis because they believe that it will help the business to run smoothly in the present and future.

Political Analysis

As we all know that L'Oreal is a giant multinational company which has been spread out to different countries. So the set of rules, laws, legislation and business practices differ from one country to another and the company must follow the law of the country they operate in.

Economical Analysis

Today the economical status of any country are a little on the lower side so L'Oreal may see a lack of consumer demand on their products and the company has to follow the government plan to make the companies economy a little high.

Social Analysis

We have seen L'Oreal's advertisements always done by some celebrities so that might cause problem for L'Oreal because the ordinary people think that celebrities are just doing those advertisements for popularity or for money.

Technological Analysis

As we all know that the world today operates in a very high technology world so L'Oréal also needs to keep up to the change in order to make a market position in the mind of consumers.

Strategic Position: Strategic Capabilities

Physical Resources:

L'Oréal produces all types of cosmetics products for both men and women. It is a very fast growing company which plans to open more outlets in India. Till date L'Oréal has always done good sales at every part of the world where they have retail stores.

Financial resources:

L'Oréal sales for the year 2011 were 20.3 billions and 613 patents were filed.

Human resources:

L'Oréal has 60,000 employees from all across the world. The company looks for employees who are willing to live up to the brand standards and expectation. They also want the employees to be assets for the brand in the future and most importantly raise the profit margin for the company.

Core Competencies:

The most important core competency of L'Oréal is its product innovation. L'Oréal is always looking for that extra something in their product. The company devotes the maximum time in research and development. The

products which finally come out have gone through a lot of research because L'Oréal believes in research a lot.

The Strategic Position: Strategic Purpose

Vision

L'Oréal wants to be a company which is environment friendly and a company which is economically successful. And a workplace where employees love to work in harmony.

Mission

The company's mission is to produce products which will be liked and accepted by all the new and old customers. It wishes to be a brand which will be every one's choice starting from youngsters to old generation ladies.

Corporate Social Responsibility

L'Oréal is listed as one of the Top 50 Socially Responsible Corporations, according to Meclens. Ca in June 2010 (Top 50 Socially Responsible Corporation). L'Oréal is devoted to an eco-responsible work model and is courteous of their social and environmental responsibilities. L'Oréal has showcased that they are committed to being socially responsible, by aiding HIV/AIDS awareness, coining safe and environmentally friendly manufacturing plants and their endless commitment of making efforts to “go green” has directed to the construction of environmentally free from harm goods. They are even working on discarding animal testing is one of their main goals. At the end, providing growth opportunity and advocating

female leaders within the organization and their dedication to women in science are few ways L'Oréal flaunts their oath to social responsibility. (By Litmissme Mar 2012)

Value Chain Analysis

Value chain analysis is a very important tool in any organization to function properly. It helps to describe the machines, equipments, money and people but only the proper and effective use of all these resources will help activities that are taking place in or around the organization. All companies have the company to produce a product and please the customers.

Inbound logistics

Arranging the scope of products of sales outlets and promising continuing customers comfort there is an important goal of L'Oréal. In this aspect, logistics group regularly collude with suppliers to boost the company's shared performance in the field in a deep rooted manner. (www. loreal. com)

As one of the leading brands in the cosmetics and beauty industry, L'Oréal USA is aware that customer loyalty is planted on trust and corporate responsibility. From goods quality to sustainability acts to supply chain security, L'Oréal is devoted to living up to customer expectations. As part of that commitment to safety and in its role as a large-volume shipper, L'Oréal lately brought about an innovative carrier-vetting program that helps to ensure that it uses only safe contract carriers to haul its freight. (By Cindy H. Dubin Oct 2011)

Operations

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In this step the raw materials are gathered together and a product is formed. L'Oréal has 37 cosmetic plants each one has a very different technology. L'Oréal's policy is to produce products very close to the market so that they can have good relations with the suppliers. (Anon., n. d.)

Outbound Logistics

In this stage the products which are produced in the manufacturing plants are delivered to retailers, suppliers, different outlets and the customers. L'Oréal has different manufacturing plants in different countries so if they have to send products to other regions than they normally use transportation.

Marketing and sales

In this stage the products are ready to be sold out to customers so the company makes different marketing schemes to sell the product. This is what L'Oréal states " Creativity is the air we breathe - it nourishes our inspiration and shapes our ideas, enabling us to launch 500 new products every year. At L'Oréal, marketing - which fine-tunes these ideas - is right at the heart of our strategy. (Anon., n. d.)

Services

In this stage the company looks into the after service of the products. L'Oréal particularly does not have any after service but they make sure that the customers go back home with a smile on their face with their products.

Procurement

In this stage the company purchases raw materials for business at the best price they can. L'Oréal thinks that exchanging is the best procurement to keep the company running. (Smith, n. d.)

Technology Development

L'Oréal has a very good technology department at their company. In today's competitive world internet is a must for all employees at work at all times. Technology can be used in many ways and L'Oréal is also using high end technology to produce their products.

Human resource management

In this stage the company has to recruit, train and develop the right people for the organization to run smoothly. L'Oréal looks for someone who is right for the organization because that person has to work with 60,000 employees of more than 100 nationalities. The HR department at L'Oréal looks for someone who will respect the organization's value and ethics with time. (Anon., n. d.)

Firm Infrastructure

In order to run properly for any organization the management team should be very good. The infrastructure of the organization should also be strong. L'Oréal has a very strong organizational chart which is headed by the chairperson then 4 managing directors for different market segments and other stakeholders.

Corporate Level Strategy

Everyone has always seen L'Oréal as one of the glamorous, glittery and the most wanted brands of cosmetics in the world. Far away from the cosmetic counters, L'Oréal is walking the walk when it comes to its corporate values of diversity, innovation and individual talent. (Anon., 2008)

Business Level Strategy

In this level the company makes policies on how to make their product more friendly to the customers and become consumers best choice. Likewise L'Oréal targets to gain 1 billion consumers by 2020. The company is really working hard to make this happen. For example L'Oréal has been expanding its market to developing countries like Mexico and India where the purchasing power of the consumers are really high and the company is going at the right track to achieve its target. L'Oréal has also looked upon the grooming part of men these days. They have been promoting different products through social media and amazingly the products are being purchased at a good scale. And the most recent innovation that L'Oréal is focusing is they have put forward a deal to buy the makeup brand Urban Decay.

Critical Theme

The process of transforming any idea or thought into a product which is valued or the customers are ready to pay for is known as innovation. (Anon., n. d.) Innovation plays a very important role in the growth and well being of a business. Innovation in a company improves every department in a positive way. Innovation is not necessary to be a big one it can be a small one but has to be effective and a good one for the company. Innovation at L'Oréal is <https://assignbuster.com/strategic-management-report-on-loreal/>

happening every now and then. The company has a different department for innovation and research. L'Oréal is successful in innovations because they are able to achieve both long term and short term goals. (mturilin, 2009)

Customer Perspective

For the smooth running of any company or organization the customers wants, needs and wishes should be looked after. If the wants and needs of the customers are not met then there is no use of spending so much to produce any products. Before manufacturing any product a market research should be done in order to be aware of the demand of the buyers. The team at L'Oréal is very particular about the wants and needs of the market. They always do a market research before any product is launched.

Conclusion

We can without any doubt say that L'Oréal is the top cosmetic brand in the world today because it has used all the necessary strategies and policies which help in the wellbeing of the organization. It has a lot of innovative skills because of the employees from different parts of the world who have come together as a team and worked together to achieve that target for the organization. L'Oréal is the right choice for every lady all across the globe. It is very vast and the product ranges from hair colours to nail polish at any retail outlets across the road.